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Potentials for Relationship Marketing Practice in the Public Sector: A Literature Analysis

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Abstract

Relationship marketing focuses on the needs and wants of consumers, and consumer co-value creation. Studies in relationship marketing have however focused on private sector engagements, and with consistent findings that its practice is usually undertaken from a production, instead of value co-creation perspective. This paper reviews literature on relationship marketing, and teases potentials for relationship marketing in public sector organisations. It summates that relationship marketing would be appropriate for public sector organisations if metrics for its measurement are localized. Also, marketers should be strategic researchers who would employ various data collection methods, to promote adequate stakeholder representation.

Keywords: Relationship marketing; Public sector; Organisations; Interaction; Behaviour

Introduction

The American Marketing Association [1] defines marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Bovarid [2] simplified this when he stated that marketing mediates "between those needing the service and the organization hoping to provide the service".

Traditionally, government-employed professionals perceived marketing as antipathetic, irrelevant, and antithetical to the delivery of public goods and services [2-6]. The adoption of management principles and practices in public sector organisation however led to the gradual acceptance of marketing as a management function; purpose of which is to make the public sector customer-conscious, improve communications, adopt greater choice and systems of redress, adhere to high standards of service delivery, and ultimately become economically viable even while delivering social good services [7,8].

Some scholars have called for the delineation of public sector marketing due to fundamental differences which separate it from commercial marketing [3], but others posit that "there is simply a need to adapt the core concepts of marketing to reflect the specific context and characteristics of public services" [6]. Lovelock and Weinberg [9] note that public sector organisations are governed by three core ethos:

1. Dominance of political rather than economic objectives;

2. Primacy of the citizen rather than of the consumer; and

3. Need to serve multiple multi-dimensional 'customers'.

Laing [6] undertakes a typology of public sector services, highlights those typified "private benefits requiring customer judgement", and states that "the imperative is to manage the service experience of the individual consumer through using established marketing tools and frameworks". This focal concern of the public sector with the consumer is a clear contrast to Fountain's assertion that "firms exist to satisfy shareholders, not customers". It is however in tandem with the marketing concept which states what marketing as a philosophy is- that the firm should base all its activities on the needs and wants of consumers" [10]. Following are the two research questions discussed in present study.

To what extent, however, can public sector organisations design their activities based on needs and wants of consumers while satisfying their ethos of social justice and equity?

Relationship marketing is the "epitome of customer orientation" [11]; the development and maintenance of mutually perceived and mutually beneficial connections between customers and a brand, product, branch, company, or employees [12,13]. Relationship marketing is particularly being enabled by technological advancements which have brought customers closer to marketers and facilitate newer, faster, and cheaper ways of forging connections. There is however the outcry that while relationship marketing is excellent in theory and has the potential to benefit the bottom line by reducing costs and increasing revenues, it falls short of these possibilities in practice because it focuses on marketers' desires to reap benefits of the connections, as against truly invest in them [11,13]. Public sector organisations are deliberately set up to deliver social goods services. Unlike private sector organisations which are set up for actualisation of profit, the dictum of relational marketing could be said to be inherent in the design of public sector organisations. Research on relationship marketing have however been conducted in the private sector.

By what metrics can public sector organisations' relationship marketing activities be measured?

To answer the research questions posited above, this paper reviews the literature on relationship and public sector marketing. Recurrent themes are analysed, suggestions proffered, and opportunities for future research indicated.

Theoretical Background

Relationship marketing

Ravald and Grönoss [14] note that the focus is shifting from the

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activity of attracting customers to activities which concern having customers and taking care of them. The core of relationship marketing is relations, maintenance of relations between the company and the actors in its micro-environment, i.e. suppliers, market intermediaries, the public and of course customers as the most important actor. The idea is first and foremost to create customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced.

Diller [15] identified seven key principles of relationship marketing: individualization, information, investment, interactivity, integration, intention, and selectivity. Adapted from Henning-Thurau and Hansen [13] (Table 1).

Consumer behaviour theories: Sheth and Parvatiyar [16] state that "the fundamental axiom of relationship marketing should be that consumers like to reduce choices by engaging in an on-going loyalty relationship with marketers. From a consumer perspective, reduction of choice is the crux of their relationship marketing behaviour; which would be termed "relational market behaviour."

Using an array of consumer behaviour theories, some of which are consumer learning theory, bounded rationality, and perceived risk, they arrive at seven propositions which summarise customers' maintenance of relational market behaviour, and the reasons for which consumers might exit a marketing relationship. Their summations utilised here are:

1. Consumers have a natural tendency to reduce choices and actually like to reduce their choices to a manageable set

2. Reduction of choices usually results in the choice of a few options, usually not more than 3

3. Society is organized to reduce choices for individuals as a norm

4. Institutions such as government, religion, and employing organisation are actively involved in systematically influencing choice reduction for individual customers.

The commitment-trust theory: Morgan and Hunt [17] theorize that the presence of relationship commitment and trust is central to successful relationship marketing, not power and its ability to "condition others".

They explicate relationship commitment as "an exchange partner believes that an on-going relationship with another is as important as to warrant maximum efforts at maintaining it to ensure that it endures indefinitely", and trust as "when one party has confidence in an exchange partner's reliability and integrity".

They propose, using the Key Mediating Variables (KMV) model (Figure 1), that:

1. Relationship termination costs and relationship benefits directly affect commitment

Criterion	Relationship marketing
Primary object	Relationship
General approach	Interaction-related
Perspective	Evolutionary-dynamic
Basic orientation	Implementation-oriented
Long vs. short-term	Generally takes a long-term perspective
Fundamental strategy	Maintenance of existing relationships
Focus in decision process	All phases focus on post-sales decisions and action
Intensity of contact	High
Degree of mutual dependence	Generally high
Measurement of customer satisfaction	Managing the customer base (direct approach)
Dominant quality Dimension	Quality of interaction
Production of quality	The concern of all
Role of internal marketing	Substantial strategic importance
Importance of employees for business success	High
Production focus	Mass customization

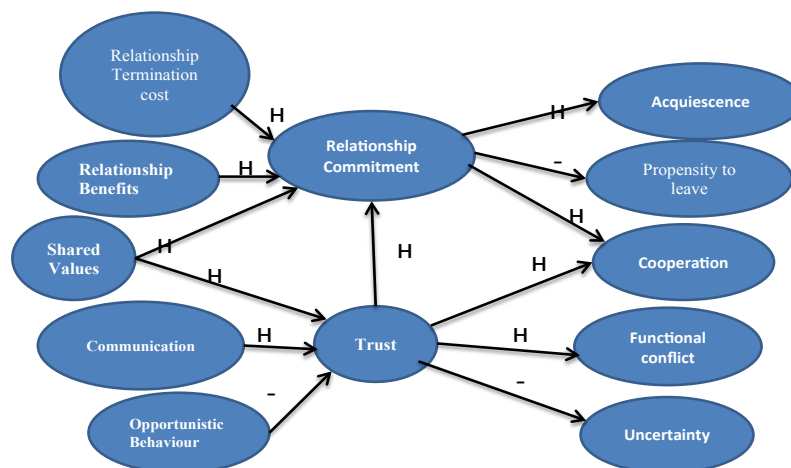**Table 1:** Characteristics of relationship marketing.

Figure 1: The Key Mediating Variables [17].

2. Shared values directly influence both commitment and trust, and

3. Communication and opportunistic behaviour directly influence trust (and, through trust, indirectly influence commitment).

Discussion

To what extent can public sector organisations design their activities based on needs and wants of consumers while satisfying their ethos of social justice and equity?

Public sector organisations can be said to have society-friendly values. While this may not guarantee that all their consumers would share those values due to the protection of individual selfish interests and the inability to see beyond short term goals and desires it can be argued that effective honest communication would instil integrity in the public service; and in turn earn the trust, patronage, and loyalty of consumers.

Fountain [18] noted that identification and clarification of individual preferences and trade-offs point to difficulties. Individual preferences must be aggregated if customer expectations are to inform government service design and operations meaningfully. Political bureaucrats have an obligation to do more than satisfy customers.

Fournier et al. [11] note that "a company's preoccupation with its so-called best customers leaves other revenue-generating customers feeling left out and underappreciated". Surveys of consumer needs and wants can only be gotten from consumers who are accessible (in possession of the technological gadgets which facilitate that) and willing to answer. The inability of public sector organisations to achieve a representative sampling of the general population could lead to an amplification of social inequities, which would in turn increase consumer apathy, and propensity to terminate the relational market behaviour. Marketers in public sector organisations must therefore employ multiple sources of data collection such as are available in social sciences research, video and ethnographies, and enabling marketers to be "strategic specialists with a mandate to develop and communicate an empathetic understanding of target customers ensuring that the consumer is represented accurately and responsibly in the value creation and delivery processes".

By what metrics can public sector organisations' relationship marketing activities be measured?

Consumer behaviour theories indicate that consumers have a natural tendency to reduce choices and actually like to reduce their choices to a manageable set. Consumers' choices of which providers and services to maintain are however determined by values shared with the producer, trust in the producer, and integrity of the producer. These determine the consumer's willingness to enter a committed relationship with the producer or brand; relationship which would culminate in loyalty to the brand, and patronisation of the brands offerings amidst market alternatives. The role of public sector organisations is the building of an image which represents the consumers adequately, and the maintenance of their ethos of social justice and equality. The literature however does not present models for public sector organisations, stakeholders of which are too diverse to be bound by simplified variables offered in the commitment-trust relationship.

Conclusions

Relationship marketing seems in theory to be very close to public sector marketing. It does seem to propose a paradigm by which public sector management can compete favourably with private sector organisations as it is dependent on ethos which place the consumer at the heart of value-creation and offerings. It would however seem that a blanket model of public sector relationship marketing is not advisable; as to do that would be an oversimplification of the task environment of public servants, and the role of culture in institutional behaviour.

This literature analysis suffers from an obvious dearth of relationship marketing research conducted from the perspective of the consumer. It however also boldly adds its summation to propose that models of relationship marketing be localized in public sector organisations per cultural environments. This would enable their best effectiveness, and prevent the scenario as already plays out in private sector relationship marketing-where consumers feel hounded, instead of like co-value creators in relationships for the satisfaction of their needs as a society and people.

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